

2022

INVESTIGATIONS ACTIVITY REPORT



European
Investment Bank | Group

EUROPEAN INVESTMENT BANK GROUP

2022

INVESTIGATIONS

ACTIVITY REPORT

European Investment Bank Group Investigations Activity Report 2022

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This report has been written with the active assistance of many individuals across the EIB Group. Our cordial thanks go to all of them for their support.

The power of nature is awesome. Throughout history, people have feared its storms, its floods, droughts and eruptions. At this critical time, we realise that we must instead be in tune with nature and harness its power, if we are to beat the climate change that our own actions have caused. More than half the European Investment Bank's investments are now in climate action and environmental sustainability. Our priority is to finance the green transition to renewables powered by nature, from geothermal energy to hydroelectricity and wind power. That is why we are putting these natural forces right on the covers of our major reports this year.

The EIB Group wishes to thank the following promoters and suppliers for the photographs illustrating this report.

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For further information on the EIB Group's activities, please consult our website, www.eib.org, and www.eif.org.

You can also contact our Info Desk, info@eib.org.

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FOREWORD

BY THE EIB PRESIDENT

As the world's largest multilateral lender, the European Investment Bank (EIB) helps economies flourish, creating jobs and promoting equality and sustainability. We work with public and private partners and measure our success by the impact our projects have. Faced with the latest challenges at European and global level, the EIB has risen to the task: we contributed significantly to EU measures to contain the economic effects of the COVID-19 crisis on European businesses, responded to the long-term challenge of climate change and mobilised significant financial support for Ukraine. To ensure our funds reach intended beneficiaries in countries across and beyond Europe, maintaining robust oversight of their use is key. The EIB has put in place an innovative and effective institutional and policy framework to prevent, detect, investigate and sanction all forms of prohibited conduct, in line with our zero-tolerance policy on fraud and corruption. This includes, for example, a sophisticated fraud detection tool, which plays an important role in identifying red flags of fraud and corruption risks that would otherwise remain undetected and unreported.

Each department in the EIB Group makes important contributions to preventing and fighting fraud and corruption, and the key internal partner in this joint effort is our investigations office — the Inspectorate General's Investigations Division (IG/IN).

This report details the activities of IG/IN and demonstrates its value added to the EIB Group. Its contents include a wide range of statistics, examples of fraudsters' modus operandi, along with findings and lessons learnt from investigations and proactive fraud detection. These findings and lessons learnt are passed on to EIB Group services and governing bodies to support future decision-making processes.

The report also aims to raise awareness among staff, clients, partners and the public — we must all stay vigilant in the fight against fraud and corruption. Therefore, I welcome the launch in 2022 of the External Reporting Platform, which provides an additional channel to report relevant issues to our investigations staff.

“ The report also aims to raise awareness among staff, clients, partners and the public – we must all stay vigilant in the fight against fraud and corruption. ”



Our investigations office also continued to build strong anti-corruption partnerships in 2022. Notably, the EIB hosted the Conference of International Investigators, the main annual exchange forum for fraud investigators in multilateral development banks and international organisations. In addition, two new memoranda of understanding were signed with partner law enforcement authorities: the General Prosecutor of the Republic of Moldova and Italy’s Guardia di Finanza.

I would like to thank EIB Group staff and civil society more broadly for remaining vigilant and for reporting allegations of fraud and misconduct, thus reinforcing the zero-tolerance policy of the EIB Group.

Finally, I wish to thank all the staff of our Investigations Division for their continued hard work and commitment.

Werner Hoyer

FOREWORD

BY THE ACTING INSPECTOR GENERAL

Fraud and corruption can affect countries, regions and organisations. They impact economic growth, development, and human rights, increasing inequality and poverty while eroding the social fabric. As the European Union's long-term financing institution, the EIB Group is not immune to fraud and corruption. For this reason, the EIB Group is equipped with the capacity to investigate fraud and misconduct affecting its operations and activities. This capacity is provided by the Inspectorate General's Investigations Division (IG/IN).

IG/IN is the sole office mandated to investigate fraud and misconduct affecting EIB Group activities and staff. The division reports annually on its activities, along with some of the lessons learnt from investigations and other work fighting fraud, corruption and other forms of prohibited conduct. As interim Inspector General, it gives me great pleasure to provide you with details of the work conducted by IG/IN in 2022.

In addition to allegations of prohibited conduct under the EIB Group's Anti-Fraud Policy, IG/IN is also mandated to investigate alleged breaches of the Staff Code of Conduct and the Dignity at Work Policy, and any other serious infringements of Bank rules and policies.

IG/IN's mandate also includes important work on policy, prevention, deterrence and awareness-raising. We have industry-leading prevention and detection tools, including comprehensive fraud-risk scoring for all active projects financed by the EIB, as part of the Bank's systematic fraud-risk assessment process. The division is also responsible for initiating actions to exclude any entities and individuals found to have engaged in fraud and corruption from participating in EIB-financed projects. We seek to mitigate fraud risk by delivering compulsory fraud awareness training for staff and showing them what fraud looks like by incorporating details of actual cases into various awareness-raising activities.

IG/IN strives continuously to expand its network of partner authorities at national and international level. In 2022 IG/IN continued to cooperate closely with the European Public Prosecutor's Office, the European Anti-Fraud Office, the EU Agency for Law Enforcement Cooperation and national authorities in the fight against fraud and corruption. To mark International Anti-Corruption Day, our investigations office also released a joint video with the integrity offices of other international financial institutions, projecting a strong message against corruption and reasserting our continuing joint commitment to integrity and accountability.

“ Tackling fraud and corruption is everyone’s responsibility. Only through cooperation and the involvement of every person and institution can we overcome the negative impact of fraud and corruption on economic, social and human development. ”




Tackling fraud and corruption is everyone’s responsibility. Only through cooperation and the involvement of every person and institution can we overcome the negative impact of fraud and corruption on economic, social and human development. States, government officials, civil servants, law enforcement officers, media representatives, the private sector, civil society, academia and the public all have a role to play.

I wish to take this opportunity to thank all EIB Group staff for their continued support and cooperation. I would also like to thank IG/IN staff for their hard work and perseverance.

I hope you find the information in the following pages useful, interesting and informative.

Bernard O’Donnell

A close-up photograph of a person's hands holding a tablet computer and a silver pen. The person is sitting at a desk with several documents, some of which have green sticky notes attached. The background is blurred, showing a laptop and a window with greenery outside. The text is overlaid on a white rectangular box in the upper left quadrant of the image.

The Investigations Division is one of the three independent accountability and control functions under the Inspectorate General, together with the Evaluation Function and the Complaints Mechanism. As such, the Inspectorate General conducts independent investigations, evaluations and reviews relating to EIB Group activities. For more information on the EIB Inspectorate General, please consult the EIB website.

ABOUT THE INVESTIGATIONS DIVISION

INVESTIGATIONS DIVISION'S MANDATE

The Inspectorate General's Investigations Division (IG/IN) provides the EIB Group with the capacity to independently, professionally and objectively investigate allegations of fraud and misconduct involving Group-financed activities and/or members of governing bodies or staff. It is the sole office mandated to investigate fraud and misconduct within the EIB Group.

IG/IN maintains the main reporting channel for all allegations of fraud and misconduct, including all allegations of prohibited conduct as defined in the [EIB Group Anti-Fraud Policy](#), as well as alleged breaches of the [EIB Group Dignity at Work Policy](#) and the [EIB Group Staff Code of Conduct](#).¹

Anyone with relevant information is encouraged to contact IG/IN immediately. All allegations are treated by IG/IN as strictly confidential and may be made anonymously.²

In addition to its primary mission of conducting investigations, IG/IN also carries out proactive fraud detection, advises on fraud risks and procedures, and raises awareness on fraud-related issues to stakeholders inside and outside the EIB Group.

IG/IN also assists the Bank in other matters requiring investigation, acting as the central point of contact for the European Public Prosecutor's Office (EPPO), the European Anti-Fraud Office (OLAF), the EU Agency for Law Enforcement Cooperation (Europol) and national criminal authorities. In addition, IG/IN works closely with the investigation and integrity functions of other major multilateral development banks: the Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank.

Through the Inspector General, IG/IN reports the findings from investigations to the EIB Group's governing bodies and gives EIB Group services the relevant facts and recommendations to inform appropriate decisions and follow-up actions.

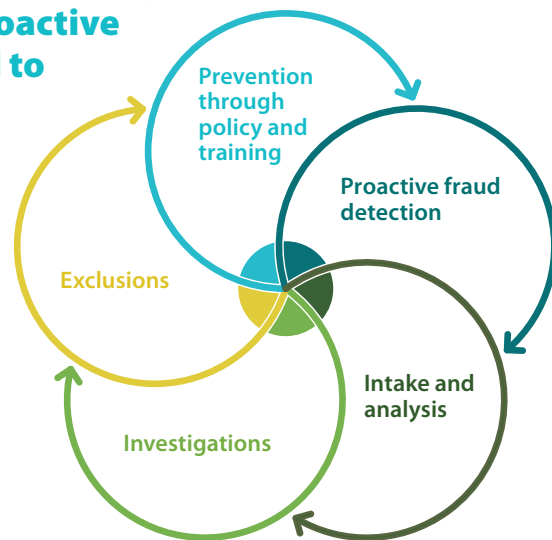
The Inspector General initiates the procedure leading to exclusion (or debarment) of entities and individuals found by IG/IN to have engaged in prohibited conduct in connection with EIB-financed projects and activities from EIB-financed projects and other EIB-related activities for a certain period of time. The EIB Exclusion Policy enforces the prohibitions contained in the EIB Group Anti-Fraud Policy and, thereby, contributes to safeguarding the financial interests, integrity and reputation of the Bank and the activities it finances.

1. Alternative reporting channels are the Inspector General for prohibited conduct issues, the Head of Human Resources for Dignity at Work matters, the Group Chief Compliance for other forms of misconduct/alleged breaches of the EIB Group Staff Code of Conduct.

2. For an overview on how to report fraud and misconduct, see [Investigating fraud and misconduct \(eib.org\)](#).

ACTIVITIES

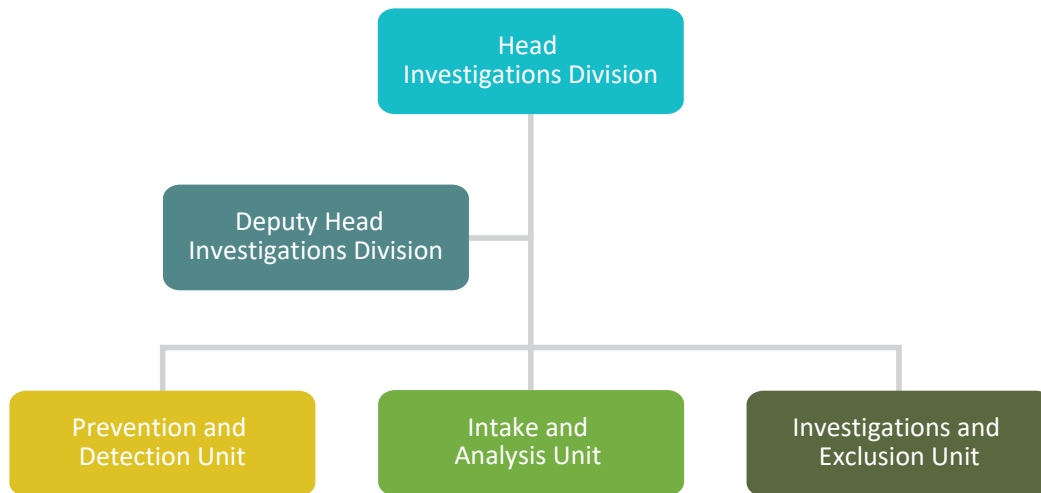
All the activities carried out by IG/IN are interconnected. Intake assesses incoming allegations, which may trigger an investigation or a Proactive Integrity Review (PIR). Proactive work uncovers red flags, which may lead to investigations. Investigation findings and recommendations may lead to policy changes. Lessons learnt from proactive work and investigations are used to raise EIB Group staff awareness on fraud and corruption risks, including through mandatory anti-fraud training.



INSPECTORATE GENERAL'S INVESTIGATIONS DIVISION STRUCTURE IN 2022



IG/IN comprises three units staffed by experienced, highly skilled professionals with previous experience as law enforcement officers, public prosecutors, lawyers, criminal analysts, computer forensics specialists and forensic auditors.



The Prevention and Detection Unit supports EIB Group services in implementing the Group's Anti-Fraud Policy in a range of activities, such as project procurement, mandates and lending. The unit oversees various initiatives to raise awareness of the risks posed by fraud and corruption, and fosters a speak-up culture. In addition, the unit leads EIB Group efforts to develop and maintain an updated anti-fraud framework. In fulfilling its detection role, the unit relies on systems-based, data-driven models to identify the risks of prohibited conduct and other vulnerabilities within EIB Group projects and activities.

The Intake and Analysis Unit is the main reporting channel for all allegations of fraud and misconduct. It assesses allegations to determine whether to investigate and/or refer the matter to EPPO, OLAF or, if appropriate, another interested party (such as a multilateral development bank or national law enforcement). The unit also provides digital forensic and analytical support.

The Investigations and Exclusion Unit takes appropriate actions on allegations requiring investigation. In particular, the unit conducts on-site inspections, collects evidence, and interviews relevant individuals. The unit conducts investigations in close collaboration with EPPO, OLAF, and national prosecution and investigation authorities. Evidence obtained during investigations forms the basis for necessary corrective actions by the EIB Group, such as excluding entities or individuals, recovering funds, pursuing other contractual and legal remedies, and making policy/procedural recommendations for future similar projects.

Key policies and documents

- The [EIB Group Anti-Fraud Policy](#) outlines the principles applied by the EIB Group for preventing, detecting and deterring prohibited conduct.
- The [EIB Exclusion Policy](#) sets out the procedures for excluding entities and individuals found to have engaged in prohibited conduct.
- The [EIB Group Whistleblowing Policy](#) sets out clear channels for any relevant persons to report misconduct. It also aims to ensure maximum protection for whistleblowers acting in good faith or persons associated with a whistleblower and condemns retaliatory action or reprisals.³
- The [EIB Group Staff Code of Conduct](#) lays down the internal rules and practical arrangements applicable in matters of professional ethics for EIB Group staff members.⁴
- The [EIB Group Dignity at Work Policy](#) aims to provide a positive working environment and ensure that all employees are treated with dignity and respect.⁵

3. This policy is administered by the EIB Compliance function.

4. This policy is administered by the EIB Compliance function.

5. This policy is administered by the EIB HR function.

THE ROLE AND ADDED VALUE OF THE INVESTIGATIONS DIVISION



2022 HIGHLIGHTS

180 incoming allegations

Launch of the **External Reporting Platform** —
tool for submitting allegations

Signature of cooperation arrangements with **Italy's
Guardia di Finanza and the General Prosecutor's
Office of the Republic of Moldova**

**Implementation of the Fraud and Integrity
Risk Scoring Tool** (FIRST) for EIF products

Four-year exclusion of four companies that committed
fraud in an EIB-financed project

Hosting the **Conference of International Investigators**

INVESTIGATING FRAUD AND MISCONDUCT

2022 INVESTIGATIONS DATA AT A GLANCE

180 allegations received

147 cases completed

18 investigative missions

76% of allegations reported by EIB Group staff members

112 external or internal referrals

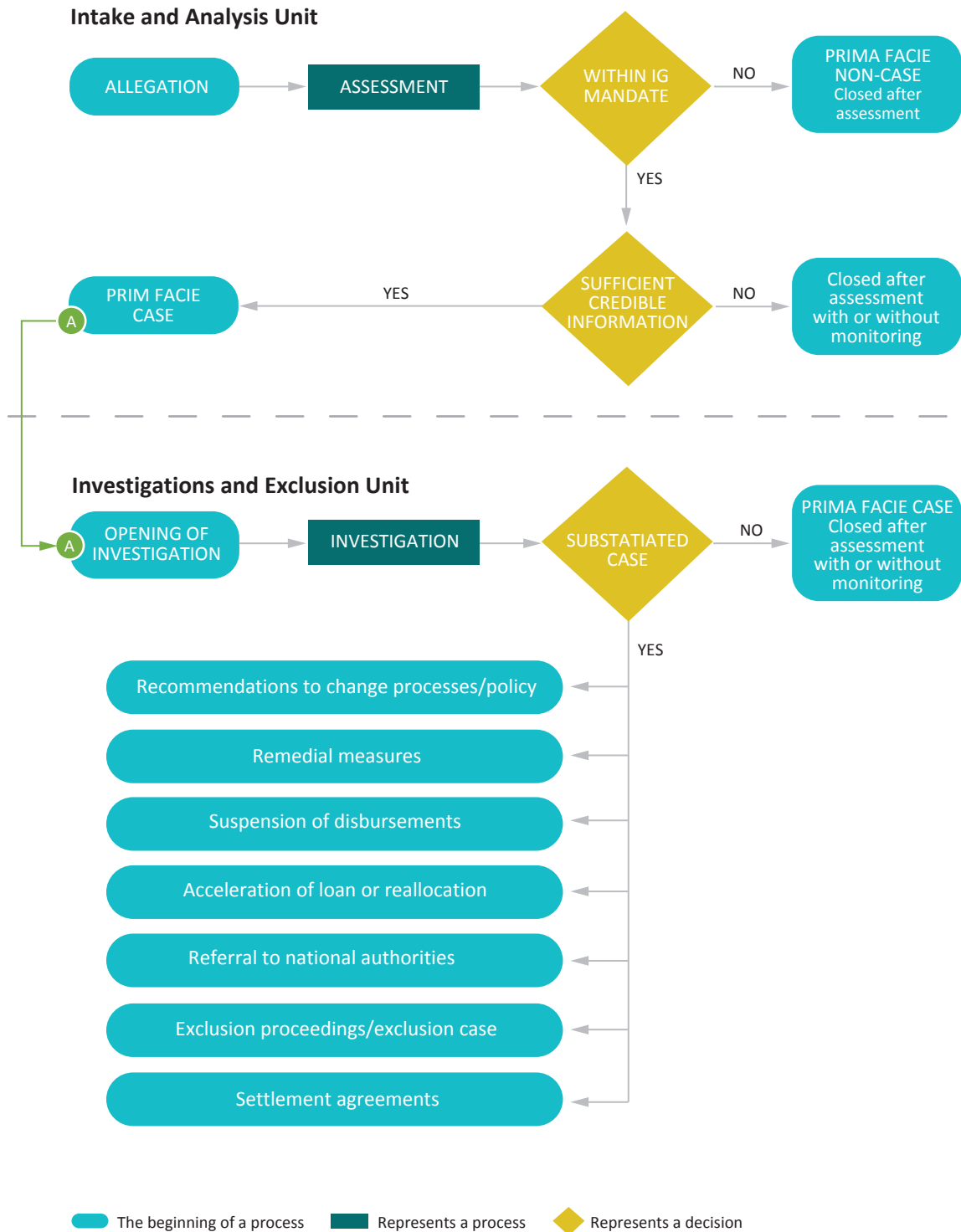
102 cases under monitoring

199 active investigations or assessment cases at year-end

184 scams and fraudulent investment schemes halted

THE LIFE CYCLE OF AN INVESTIGATION

From the initial allegation to the closing of an investigation, IG/IN follows the steps and procedures illustrated in the chart below.



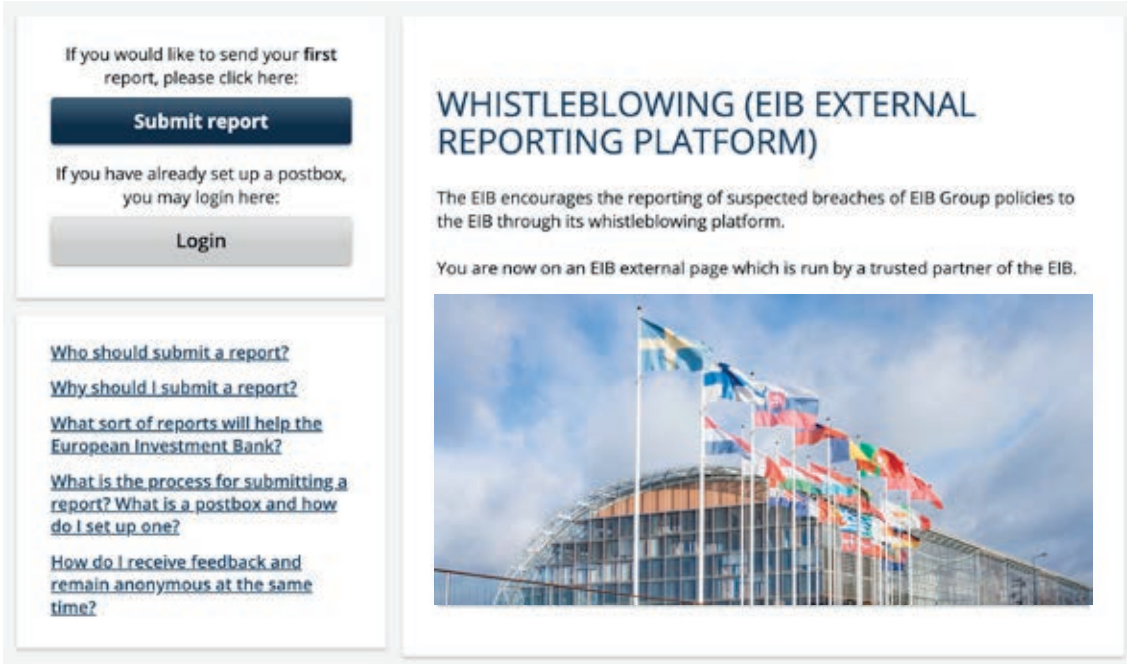
REPORTING AN ALLEGATION OF FRAUD OR MISCONDUCT TO THE BANK

IG/IN receives all allegations of prohibited conduct as defined in the [EIB Group Anti-Fraud Policy](#), as well as of breaches of the [EIB Group Dignity at Work Policy](#) and the [EIB Group Staff Code of Conduct](#). Anyone with relevant information is encouraged to contact IG/IN immediately. All allegations are treated as strictly confidential and may be made anonymously.

Allegations can be submitted via a dedicated email address (investigations@eib.org) or via the [EIB website](#) (<http://www.eib.org/infocentre/anti-fraud-form.htm>). The reporting form and associated information pages are available in 30 languages.

Reporting platform

In addition to the above-mentioned reporting tools and in line with the EIB Group Whistleblowing Policy, whistleblowers can also report through a platform managed by a third-party provider, offering an additional layer of identity protection. The platform is accessible via the [EIB website](#). This platform aims to make reporting easy and accessible, while ensuring anonymity and a secure communication channel with EIB investigators.



If you would like to send your first report, please click here:

Submit report

If you have already set up a postbox, you may login here:

Login

[Who should submit a report?](#)

[Why should I submit a report?](#)

[What sort of reports will help the European Investment Bank?](#)


[What is the process for submitting a report? What is a postbox and how do I set up one?](#)

[How do I receive feedback and remain anonymous at the same time?](#)

WHISTLEBLOWING (EIB EXTERNAL REPORTING PLATFORM)

The EIB encourages the reporting of suspected breaches of EIB Group policies to the EIB through its whistleblowing platform.

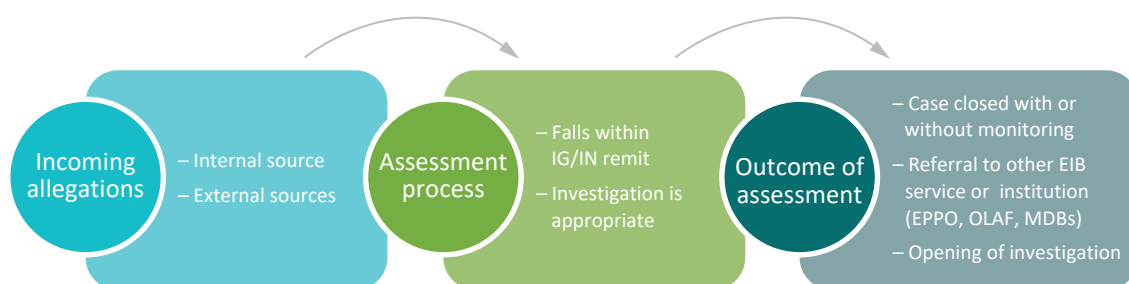
You are now on an EIB external page which is run by a trusted partner of the EIB.



Reporting via the platform can be done by anybody with relevant information about breaches of the EIB Group's Anti-Fraud Policy, Code of Conduct, and Dignity at Work Policy.

INTAKE AND ASSESSMENT OF ALLEGATIONS

IG/IN receives allegations from multiple internal and external sources. However, IG/IN can open cases on its own initiative, for instance based on findings from its own PIRs or adverse reports on open sources.



The Intake and Analysis Unit assesses, reviews and prioritises all incoming allegations to determine whether: (a) the reported issue is within the mandate of IG/IN; and (b) whether an investigation would be appropriate.

During the initial case assessment, IG/IN aims to obtain as much relevant information as possible concerning the allegation, including connections to EIB Group-financed activities, a complete description of the alleged wrongdoing, records and supporting documentation. If the allegation concerns something other than an EIB-financed project or activity, or if it cannot be investigated (for example, because the alleged misconduct occurred too long ago or critical information is missing), the case is closed and not passed on for investigation.

If the allegation lies within another institution’s mandate, IG/IN refers the matter accordingly. For instance, some complaints may fall under the responsibility of another multilateral development bank’s investigative office, while the EIB Group’s Complaints Mechanism is responsible for project complaints related to social or environmental matters. IG/IN works closely with law enforcement and European agencies such as EPPO, Europol and OLAF. The EIB Group complies through IG/IN with its obligation to report cases of suspected fraud, corruption and any other illegal activity affecting EU financial interests to OLAF and EPPO, allowing them to conduct independent assessments.

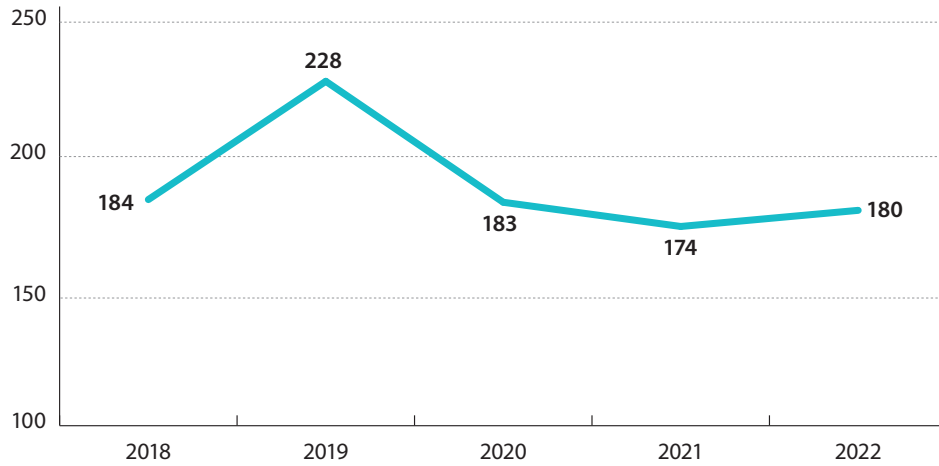
The table below presents the turnover of assessments performed annually.

ASSESSMENTS	2020	2021	2022
Active assessments on 1 January⁶	85	82	42
New allegations received	183	174	180
Cases closed at assessment ⁷ or Dignity at Work allegations passed on to Human Resources	(104)	(137)	(77)
Cases passed on to investigation	(82)	(77)	(52)
Active assessments on 31 December	82	42	93

6. This refers to cases carried forward from the previous year.

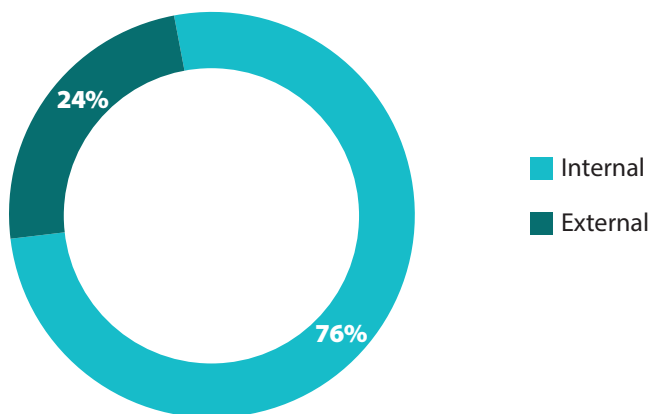
7. This includes prima facie non-cases and cases closed at assessment with or without monitoring.

Allegations received, 2018–2022



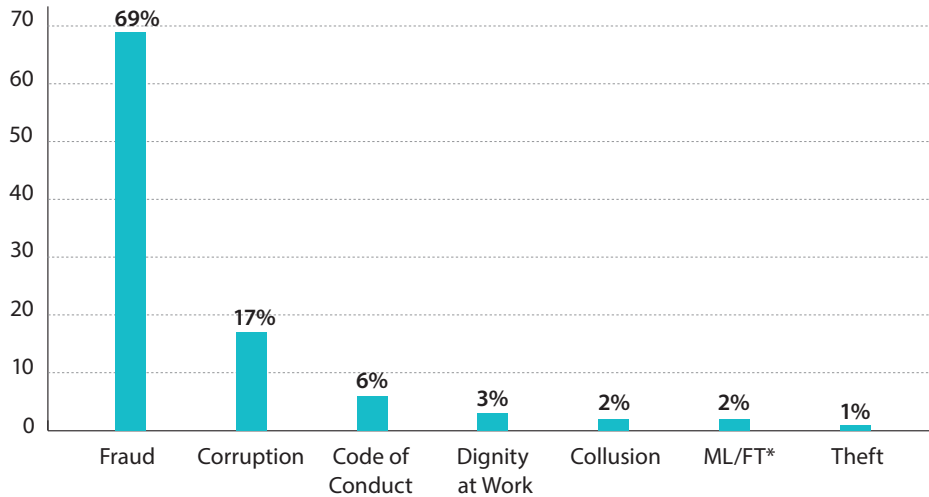
As shown in the chart above, the number of allegations received annually by IG/IN has stabilised in the last three years.

Sources of allegations



In 2022, internal sources within the EIB Group referred **76%** of allegations received, while **24%** were received from external sources such as other EU institutions or bodies, national authorities, international organisations, project-related parties, civil society and the media. For comparison, the respective percentages in 2021 were 73% and 27%. The rise in allegations from internal sources is partly explained by the inclusion of alleged breaches of the EIB Group's Code of Conduct and Dignity at Work Policy in the central registry of cases maintained by IG/IN.

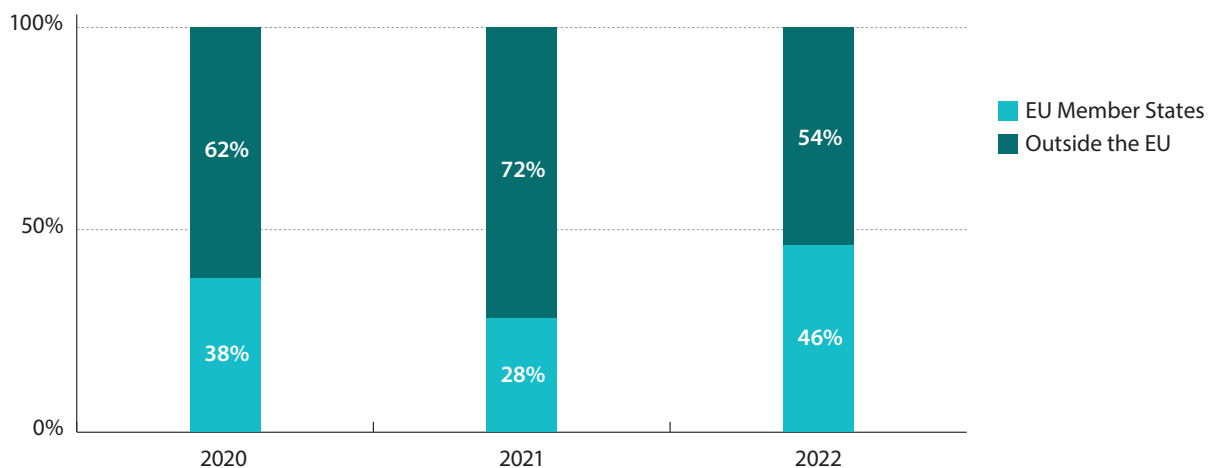
Types of allegations



*Money laundering and financing of terrorism.

As the above chart shows, **fraud** and **corruption** in relation to EIB Group operations were the most common types of allegations received by IG/IN in 2022.

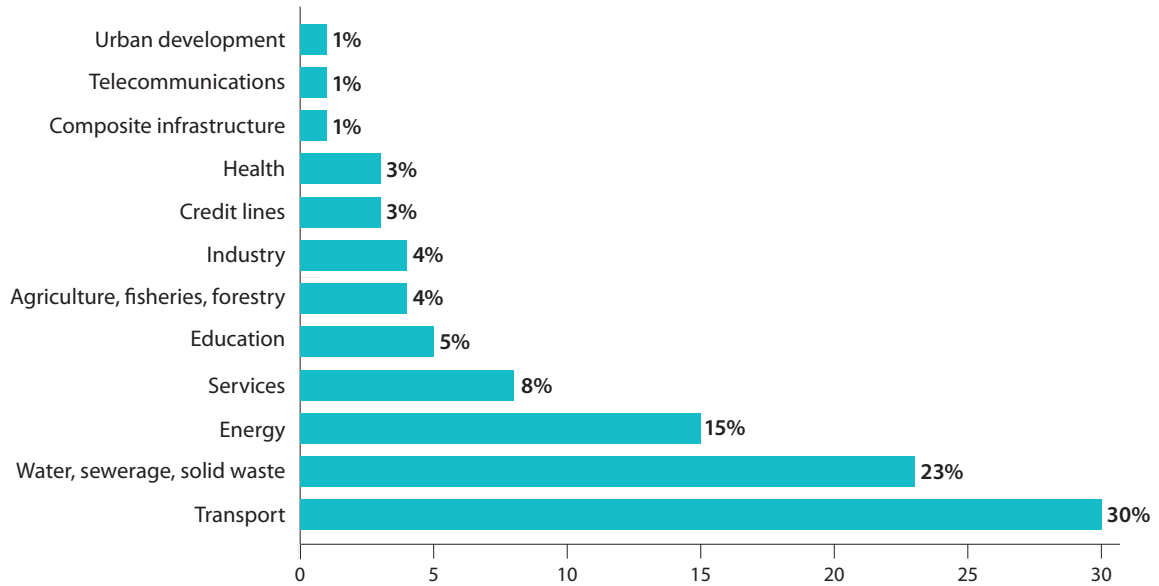
EIB Group external cases - geographical scope



The above chart shows the evolution of the geographical distribution of allegations received in the last three years. Despite some fluctuations, allegations from countries outside the EU still form the majority of cases handled by IG/IN.

While internal cases involve alleged prohibited conduct by members of EIB Group staff and/or governing bodies, or by assimilated persons (such as contractors working at EIB premises), external cases concern alleged prohibited conduct involving parties outside the EIB Group

EIB external cases — sectors



The largest number of incoming allegations in 2022 concerned the **transport sector, followed by the water and energy sectors**. These results are consistent with data collected over the last seven years, and with the volume of EIB finance in these sectors.

INVESTIGATION

Allegations passed on from assessment to the investigations team are subject to a comprehensive fact-finding investigation, encompassing witness testimony, documents, photos and other evidence. Investigations can be conducted in support of or alongside the work of other investigative or prosecution offices, and any other multilateral development bank that co-financed the project or activities in question. These investigations are conducted under the EIB Group Investigation Procedures, as published on the EIB website.⁸

Investigations are undertaken in an objective, confidential, fair and impartial manner, based on a presumption of innocence, with due regard for all individuals or entities involved, and in full compliance with the rules on personal data protection. The EIB Group’s investigators are experienced professionals with a range of backgrounds, such as prosecution, law enforcement and forensics. IG/IN has independence in exercising its responsibilities within the EIB Group (without prejudice to powers conferred on EPPO and OLAF).

INVESTIGATIONS	2020	2021	2022
Investigation cases active on 1 January	123	114	124
New cases received from assessment	82	77	52
Investigations closed and completed	(91)	(67)	(70)
Investigation cases active on 31 December	114	124	106

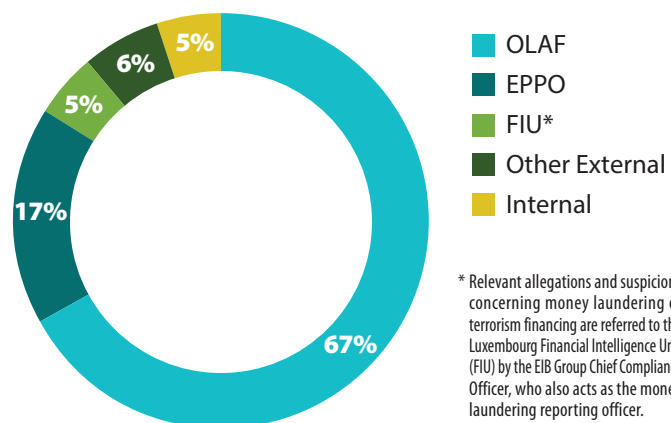
The above table presents the annual turnover of investigations. Of the 70 investigations completed in 2022, 17 were substantiated (that is 24%, in line with the previous year).

To support the investigation process with specialised digital forensic services, IG/IN has developed a state of the art Digital Forensic Lab. The laboratory is equipped with advanced technology and tools to ensure accurate and thorough analysis of digital evidence. Experienced digital forensic examiners are dedicated to conducting in-depth analysis and providing reliable results to support the investigations.

IG/IN carried out **18** investigative missions (in Member States and beyond Europe) in 2022. This represents a significant increase compared to previous years (five investigative missions in 2021 and ten in 2020), resulting from the lifting of COVID-19 travel restrictions. However, the number of investigation missions remained lower than the period before the COVID-19 pandemic.

In 2022, IG/IN made **112** internal and external referrals. This total includes 63 referrals to OLAF, EPPO, multilateral development banks, national development agencies and EIB Group services. The chart below provides a breakdown of these referrals. In addition, IG/IN made 49 referrals to internet service providers, seeking to shut down fraudulent websites and social media profiles detrimental to the EIB Group.

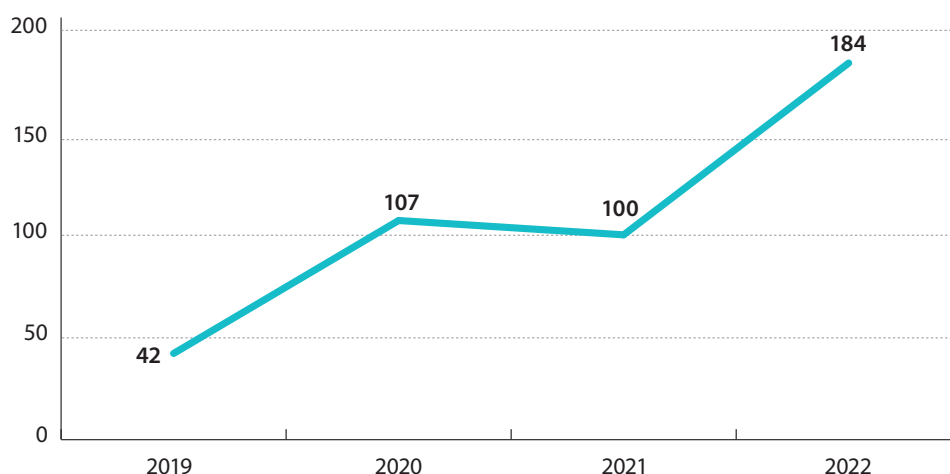
EIB Group referrals in 2022



* Relevant allegations and suspicions concerning money laundering or terrorism financing are referred to the Luxembourg Financial Intelligence Unit (FIU) by the EIB Group Chief Compliance Officer, who also acts as the money laundering reporting officer.

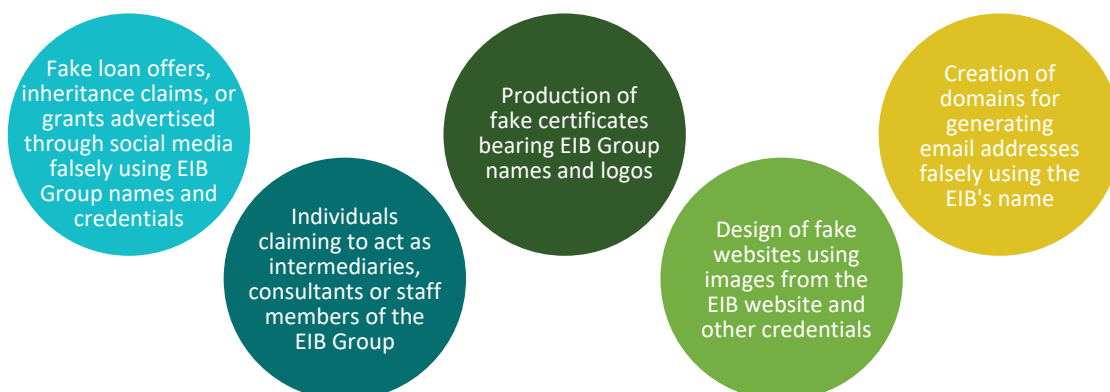
SCAMS AND FRAUDULENT INVESTMENT SCHEMES

2022 brought a significant increase in scams and fraudulent investment schemes carried out via the internet, social media and other virtual means. Most cases involved fraudulent use of the name of the EIB or the European Investment Fund (EIF) on websites, in email addresses or social media profiles with the aim of embezzling money from individuals or businesses. In other cases, individuals falsely claimed to act as intermediaries for the EIB Group and requested fee payments for this fake service. The chart below illustrates changes in the number of scams and fraudulent schemes handled by IG/IN in recent years



Modi operandi

IG/IN has identified various modi operandi, with different forms and levels of sophistication. Examples include issuing false certificates, creating false websites, and organising fake meetings with individuals impersonating EIB Group staff members or claiming to act as intermediaries of EIB Group entities.



Actions taken

The actions taken by IG/IN in these different cases ranged from providing support to scam victims, including advice on how to file a complaint with relevant authorities, to referring the matter to competent national authorities. In many cases, IG/IN also contacted the website registrars or domain owners to request the deletion of fraudulent domains; in most cases, this was successful. Individuals and businesses are advised to be cautious of suspicious messages. They should keep in mind that:

1 The EIB Group will never request the payment of upfront fees* in the context of its loan appraisals.

*Also known as retainer, consideration, due diligence, or commitment fees.

2 All official emails from the EIB come from the following domains: eib.org; eif.org; bei.org; fei.org.

3 If you receive an unusual money request from someone claiming to work for the EIB Group, or have concerns as to whether the EIB Group is actually involved in a project or operation, do not respond to the request and do not send any money or provide your personal bank account details. Contact the EIB: investigations@eib.org.

2022 Key figures

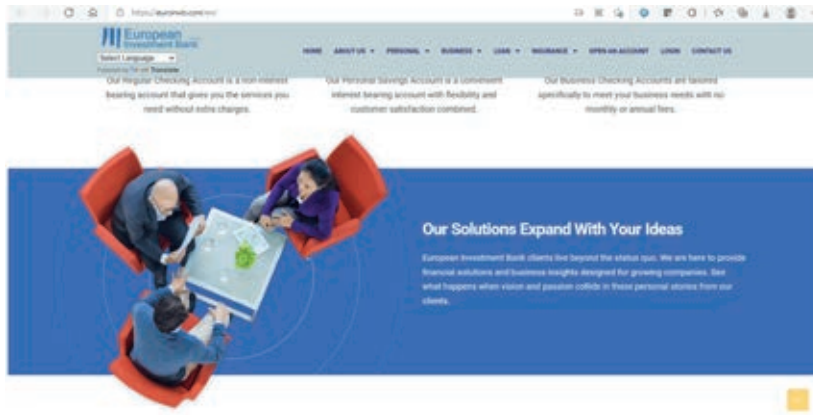
184 scams and fraudulent investment schemes reported to or identified by IG/IN

6 fake websites taken down

43 email addresses created by fraudsters taken down

17 impersonated/fake EIB staff blocked on social media

Example of a fake EIB website: www.euroinvb.com



Example of a fake certificate using the EIB's name and logo



Fake certificate of inheritance using the EIB's name



CASE STUDIES

The EIB has a duty to respect professional secrecy (in compliance with relevant laws and legislation) and the confidentiality of its investigative process. However, the Bank is also committed to a presumption of disclosure and transparency to the extent possible. When disclosing information on the cases it has investigated, IG/IN thus seeks an appropriate balance between transparency and confidentiality. Please note that the case examples below have been anonymised.

The following case studies feature some of the different types of allegations handled by IG/IN. They cover internal and external investigations, different geographical areas, and various types of prohibited conduct. These cases are highlighted to not only demonstrate how IG/IN operates but also raise awareness about the possible risk areas in EIB Group activities. Moreover, they illustrate the EIB Group's zero-tolerance approach to fraud and corruption in practice.

In 2022, IG/IN successfully undertook many investigations and uncovered new modi operandi of fraud. The evidence obtained from these investigations helped the EIB Group to make appropriate decisions and take necessary actions, based on all available information. These investigations also led to the issuing of recommendations to remediate prohibited conduct and mitigate future risks.

Internal cases

These cases involve allegations of prohibited conduct by members of EIB Group staff and/or governing bodies, or by assimilated persons (such as contractors working at EIB premises).

Fraudulent expense claims

Source of allegations: Internal

Red flag: Inconsistencies in various documents and invoices used for reimbursing travel and accommodation expenses

- IG/IN followed up on allegations of fraudulent expense claims by an EIB Group staff member. The investigation concluded that the staff member committed irregularities by providing forged documents and invoices, thus overstating their travel and accommodation costs in order to obtain undue advantages.
- **Results:** In accordance with applicable EIB Group rules, IG/IN recommended disciplinary follow-up for the respective staff member, as well as the recovery of financial losses caused by the fraudulent activities.

Integrity concerns in allowances

Source of allegations: Internal

Red flag: Conflicting information

- IG/IN investigated suspicious information provided in support of allowance claims. IG/IN checked the documentation provided by staff members to evidence fulfilment of allowance eligibility criteria.
- **Results:** The investigation concluded that there was no violation of the EIB Group Anti-Fraud Policy by staff members.

External cases

External cases concern allegations of prohibited conduct involving parties outside the EIB Group.

Fraudulent bankruptcy

Region: EU Member State

Source of allegations: External

Red flag: Bankruptcy

- IG/IN received an information request from national authorities in relation to a former EIB counterparty. The entity had filed for insolvency and its bankruptcy was under a criminal investigation: one suspicion was that the company had committed financial statement fraud.
- **Results:** IG/IN supported the authorities by collecting project documentation and additional information on the entity. The criminal proceedings are still ongoing, but the authorities recently performed a preventive seizure against suspected individuals from the entity's former management.

Non-disclosure of a conflict of interest situation

Region: Sub-Saharan Africa, Caribbean and Pacific

Source of allegations: Internal

Red flag: Adverse media reports

- IG/IN was informed about media reports about a company which was awarded contracts in an EIB tender process and is controlled by a relative of the country's president.
- The promoter, borrower and beneficiaries all failed to inform the EIB of the company's conflict of interest, in breach of obligations under the finance contract.
- IG/IN informed OLAF about the case and opened a joint investigation. The investigation established that a company winning several tenders under the project had forged bid documentation.
- **Results:** Based on available information, EIB services suspended the disbursements, and the Inspector General launched exclusion proceedings.

Integrity concerns in a procurement process

Region: European Neighbourhood

Source of allegations: Internal

Red flag: Irregularities in the procurement process

- During the procurement process for a project co-financed by the EIB, the borrower's acting director exerted pressure on the evaluation committee to favour one bidder to the detriment of others. Allegedly, the damaged bidders were to be compensated with the award of another tender (not financed by the EIB).
 - IG/IN informed OLAF and opened a joint investigation, which identified several issues, including procurement irregularities by the bidder proposed for the award and undue pressure on the bid evaluation committee to influence the process.
 - **Results:** The procurement process was re-tendered and EIB services applied additional measures to ensure the regularity of the new tender procedure.
-

Non-disclosure in covenant of integrity

Region: European Neighbourhood

Source of allegations: Internal

Red flag: Past conviction

- The EIB requires tenderers under Bank-financed contracts to submit a signed covenant of integrity as part of their bidding documents. In this case, a tenderer omitted to disclose that a director had been found guilty of prohibited conduct by a local court. Such omission may qualify as fraudulent practice under the EIB Group Anti-Fraud Policy.
 - **Results:** The IG/IN investigation concluded that the concerned tenderer had engaged in prohibited conduct during the procurement process by omitting the relevant conviction from the covenant of integrity. The Bank therefore sought appropriate remediation, did not finance the contract, and subsequently initiated exclusion proceedings.
-

Non-disclosure in covenant of integrity

Region: European Neighbourhood, Africa, Latin America

Source of allegations: Internal

Red flag: Sanction by another international financial institution

- In covenants of integrity for several EIB-financed projects, a tenderer omitted a past sanction issued by another international financial institution.
 - **Results:** During IG/IN's investigation, the concerned tenderer admitted to having failed to disclose the sanction in several instances. Consequently, a settlement negotiation was launched, in accordance with provisions of the EIB Exclusion Policy.
-

Fake consultants

Region: European Union

Source of allegations: External

Red flag: Share pledge granted for EU funds

- IG/IN was contacted by an external legal counsel requesting the cancellation of a share pledge granted to the EIB by their client, a small enterprise. The pledge was requested by fake consultants who claimed to support the enterprise in its application for EU funds in exchange for consulting fees. The consultants produced fake documentation improperly using the EIB logo and did not submit any application on behalf of the small enterprise.
- Available information indicated that the entrepreneur was a victim of fraud, and it is now undertaking legal action against the fraudsters.
- **Results:** IG/IN liaised with EIB legal services on the best course of action to allow the entrepreneur to cancel the pledge, which was unilaterally granted to but not accepted by the EIB.

Contract slicing

Region: EU Member State

Source of allegations: Internal

Red flag: High number of small contracts without public tender

- IG/IN was alerted to an unusually high number of small contracts being awarded to local suppliers under an EIB project.
- **Results:** The investigation identified that the counterparty's management had split the foreseen works into several small contracts under the threshold for mandatory public tendering, in breach of public procurement law. IG/IN provided information to the national authorities, which were already investigating.

False reference certificate

Region: Sub-Saharan Africa, Caribbean and Pacific

Source of allegations: Internal

Red flag: Multiple identical bidding documents

- The procurement rules for an EIB-financed project require bidders to have specific experience in a contract of similar size and nature. The concerned bidder forged a document to falsely certify that it had the necessary professional experience. IG/IN obtained evidence proving the fraudulent origin of the document included in the bid.
- **Results:** The Inspector General launched exclusion proceedings, leading to the company's exclusion from any Bank-financed project or activity for four years, with a conditional release after two years.

Spear phishing attack on a venture capital fund

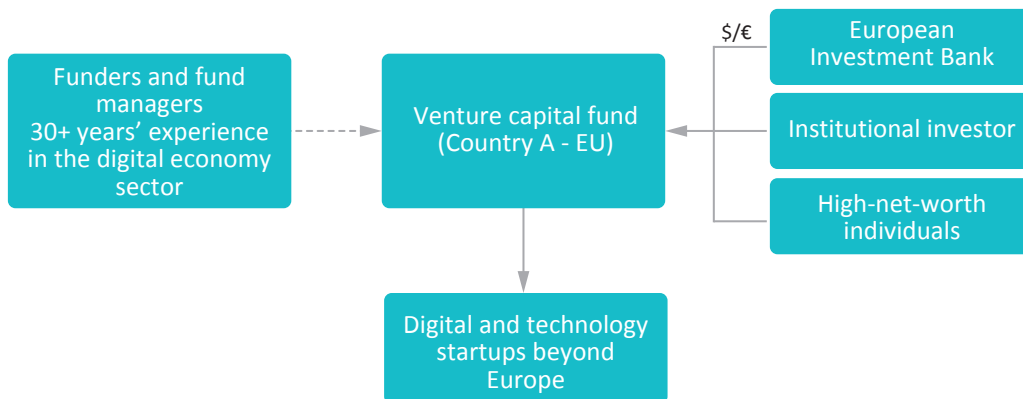
Region: European Union

Source of allegations: Internal

Red flag: Multiple identical bidding documents

- Phishing may target any industry and individual, from a business executive to a home social network member or online banking customer. Fraudulent attempts to steal money by tricking credit institutions into making a disbursement on altered bank accounts are not uncommon. This case scenario describes a scheme perpetrated in 2022.

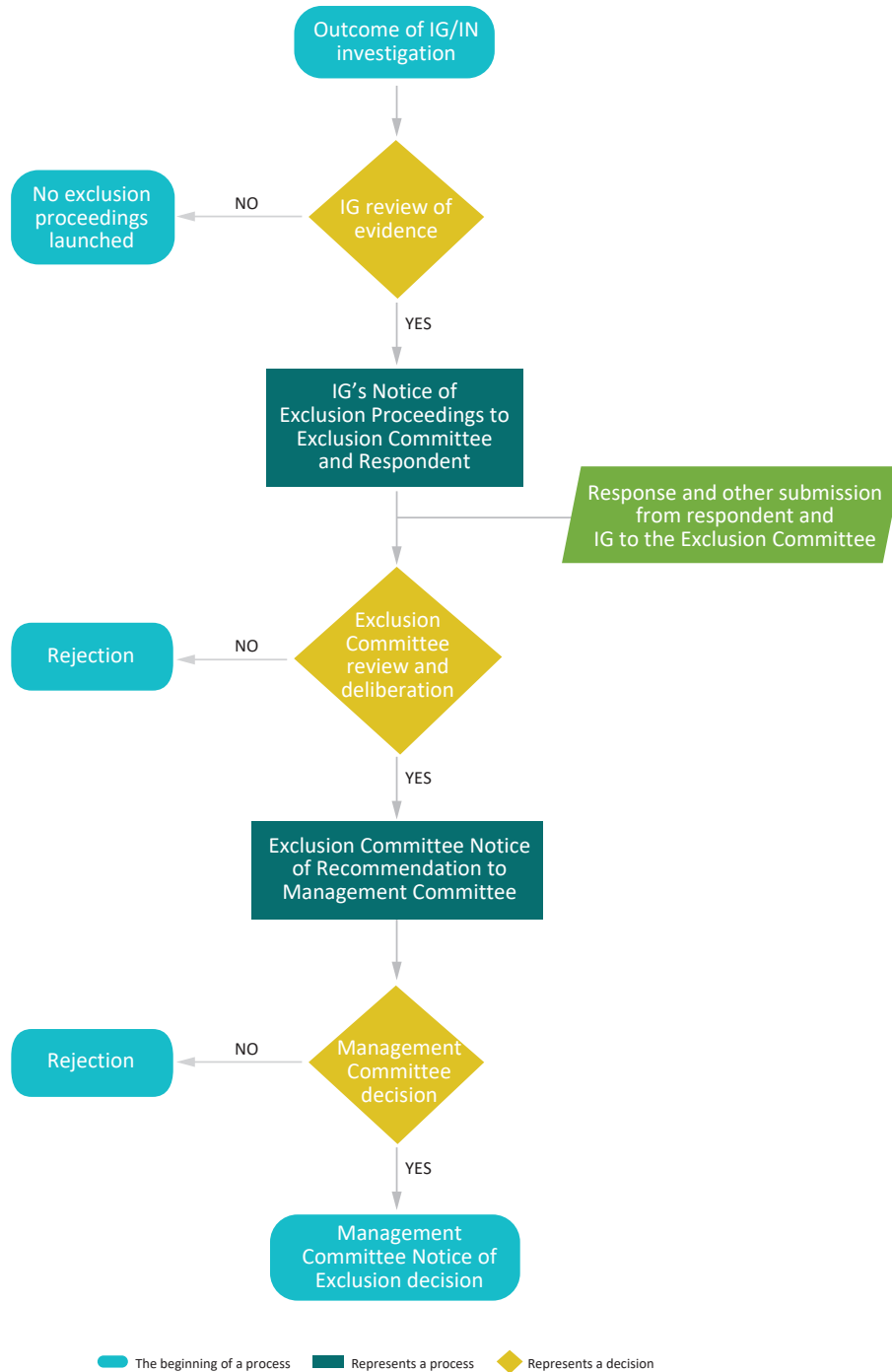
Typical structure of investments into a venture capital fund



- The EIB invested in a venture capital fund aimed at supporting small businesses in a country beyond Europe. The fund was established in an EU Member State and the fund managers had extensive experience in the digital economy sector. The fund was targeted by a well-organised, complex scheme that used spear phishing attacks on the fund managers, fake email addresses and domains established to intercept communications between fund managers and the EIB, impersonation of EIB staff, and fake disbursement requests with fraudulent bank accounts. As a result, the Bank's first disbursement into the fund was made to a fraudulent bank account and misappropriated by unknown individuals.
- Results:** IG/IN performed comprehensive internal enquiries to establish facts and identify possible weaknesses in the disbursement process. IG/IN also referred the case to the competent judicial authorities and provided them with continuous support in the collection of documentation and information. This included an on-site mission to forensically acquire the fund managers' devices and perform digital forensic analysis on the data stored therein. As a result of the investigative activities performed, IG/IN uncovered the details of the fraudulent scheme and made several recommendations to relevant EIB services to strengthen disbursement-related internal controls and processes.

DETERRENCE AND REHABILITATION

Outline of EIB exclusion proceedings



The above flowchart outlines the steps of exclusion proceedings under the EIB Exclusion Policy. These proceedings follow a three-stage process to determine whether the evidence presented convincingly demonstrates that an entity or individual has engaged in prohibited conduct. The Exclusion Committee intervenes in the second stage. As an independent committee, its role is to determine whether the allegations submitted by the Inspector General are admissible and based on further review to make appropriate recommendations to the EIB Management Committee.

Exclusion proceedings in 2022

During 2022, four companies were excluded from participating in any EIB-financed projects or activities. These exclusions followed investigations by IG/IN in prior years, as detailed below.

One company was found to have engaged in prohibited conduct under an EIB-financed project in Nepal. Specifically, the company submitted a fraudulent experience certificate in a tendering process, and exclusion proceedings were initiated in 2021. In March 2022, based on the Exclusion Committee's recommendation, the EIB Management Committee excluded the company found to have engaged in prohibited conduct for four years, with a conditional release after two years.

In another case, IG/IN investigated a widespread pattern of fraud by construction companies in two EIB-financed projects in Côte d'Ivoire's electricity and water sectors. Under these projects, several companies submitted fraudulent experience certificates as part of their bids. These certificates were provided to demonstrate that the companies had experience of projects of similar size and nature, thereby fulfilling the technical requirements to make their bids compliant. In some cases, the companies in question were awarded contracts that they were subsequently unable to execute, leaving the promoter with no option but to terminate the contracts and re-tender the works.

As part of its investigation, IG/IN contacted the institutions that purportedly issued the experience certificates, requesting verification that the certificates were genuine. These institutions informed IG/IN that they had not issued the certificates in question.

Based on IG/IN's findings, the Inspector General initiated discretionary exclusion proceedings against seven companies under the EIB Exclusion Policy. In June 2022, based on the Exclusion Committee's recommendation, the EIB Management Committee decided to exclude three of the seven companies for four years, with a conditional release after two years. Exclusion proceedings against the other four entities were ongoing at year-end 2022.

Settlements

During 2022, IG/IN initiated negotiations with seven companies found to have engaged in prohibited conduct, with a view to reaching settlement agreements. These settlement negotiations were all ongoing at year-end 2022.

Alstom Hrvatska d.o.o. was still subject to voluntary exclusion at year-end 2022, while the voluntary exclusions of Alstom Power Systems S.A. and Alstom Power Systems GmbH ended in November 2022.

Compliance monitoring of Hyundai Engineering & Construction Co., Ltd., based on a settlement agreement with the Bank, ended in May 2022.



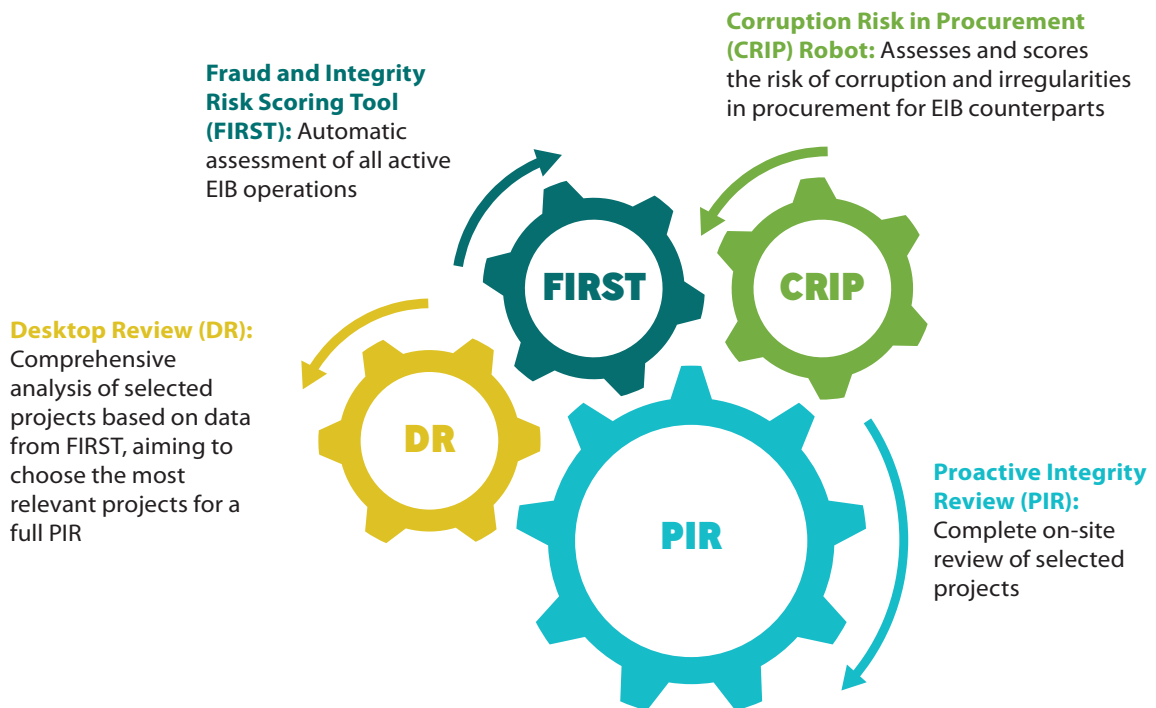
DETECTION OF PROHIBITED CONDUCT

In addition to the primary mission of conducting investigations, IG/IN's mandate includes proactive fraud detection. This activity is key to addressing prohibited conduct issues that might otherwise remain undetected or unreported through the usual monitoring processes. Selecting the right project or operation for proactive review is crucial. IG/IN has developed a Proactive Integrity Review methodology to ensure the selection of projects at highest risk while also optimising the use of available resources and maximising detection capacity.

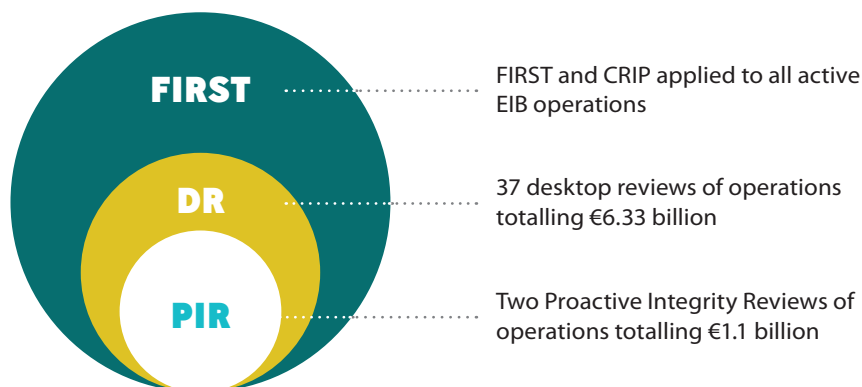
During 2022, the fraud detection team worked on:

- (i) extending the PIR methodology to the EIF;
- (ii) desktop reviews;
- (iii) PIRs; and
- (iv) following up on the implementation of recommendations issued following the PIRs conducted in previous years.

In 2022, IG/IN also continued to enhance its collaboration across control functions, especially the EIB Compliance function, Internal Audit and the Procurement Office. IG/IN generates fraud-risk scores for all EIB operations and regularly shares these with the Compliance function, along with outcomes of the most relevant desktop reviews. Similarly, IG/IN provides the Procurement Office with data from the Corruption Risk in Procurement (CRIP) tool, which computes a corruption risk score for each entity/company that has participated in a European public offering since 2011. The CRIP data are used by the EIB Procurement Office to assess the risk of new EU public sector projects at appraisal.



EIB fraud detection data, 2022



THE FRAUD AND INTEGRITY RISK SCORING TOOL (FIRST)

FIRST is a data-driven application launched in 2018 and continuously updated since. It provides real-time scoring of all active EIB operations through a combination of over 50 algorithms. Having proven effective in identifying red flags, FIRST is fully integrated into the process of selecting the most relevant projects for PIRs. Based on data from FIRST, a fraud index is calculated quarterly, providing an overview of trends in the evolution of fraud risk in EIB lending activities. Risk scores from FIRST are also shared with other EIB services, enabling colleagues to leverage fraud-risk insights.

The business relevance of FIRST risk factors and their ability to distinguish high and low-risk operations were confirmed by an independent external consultant in 2021. Accordingly, in 2022, IG/IN developed a Python-based data quality tool aiming to provide an additional level of assurance for FIRST outcomes. The new tool executes a set of specific controls assessing not only the data quality of FIRST but also the overall performance and assumptions. The tool is currently fully operational, and initial results have already been used to perform some fine-tuning of existing risk factors.

Proactive detection for European Investment Fund products

In 2022, a collaboration between IG/IN, EIF Compliance and EIB IT finalised FIRST for EIF products. This tool is equivalent to and has the same functionalities as the one already operational for the EIB and uses a data-driven approach to select the most relevant EIF operations for full PIRs. One of the main priorities for 2023 is to use FIRST to select an EIF guarantee deal for a full PIR.

Corruption Risk in Procurement (CRIP) Robot

IG/IN collaborated with the EIB's IT department to develop the CRIP Robot. This tool measures and scores the risk of corruption and irregularities in public procurement activities involving EIB counterparts, using big data from the EU Tenders Electronic Database. The CRIP Robot was first used in 2021 and is fully operational. The results are systematically shared with the Bank's Projects Directorate to facilitate appraisal of new EIB projects in the European Union. Since 2022, CRIP has also been used for the purpose of assessing EIF counterparts.

This tool enables the Bank to assess prospective borrowers and beneficiaries as it provides a risk score for all counterparts operating in the EU market.

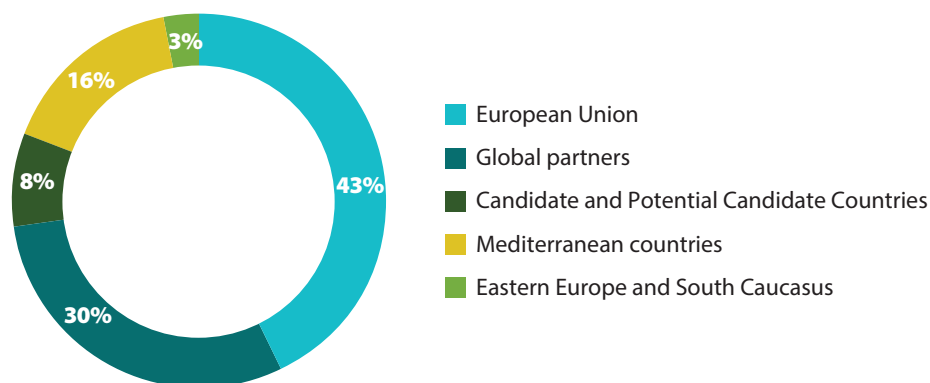
DESKTOP REVIEWS

A desktop review encompasses a review of the loan file and adverse media reports, plus interviews with operational staff. The primary purpose is to obtain information and documents that support and explain the risk factor(s) identified by FIRST. The desktop review ends with the selection of the most relevant projects for a full PIR.

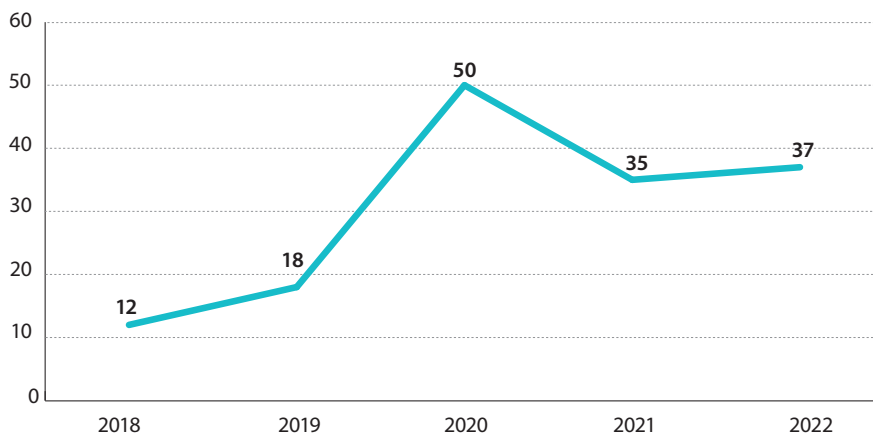
In 2022, IG/IN completed desktop reviews of 37 EIB projects, all selected based on risk scores computed by FIRST.

Desktop reviews are a valuable tool for the early detection of prohibited conduct and for collecting information relevant for the first and second lines of defence (including other EIB directorates such as Compliance, Portfolio Management and Monitoring, Operations and Projects). During 2022, IG/IN shared information on nine projects with other EIB directorates.

Desktop reviews by region, 2022



Number of desktop reviews



PROACTIVE INTEGRITY REVIEWS

Whereas fraud investigation aims to gather evidence to prove (or disprove) a specific allegation of prohibited conduct, the objectives of a PIR are to:

- help prevent and detect prohibited conduct at an early stage;
- ensure that EIB funds and assets are used for their intended purposes;
- identify gaps and weaknesses in processes and procedures;
- determine whether EIB contracts have been implemented according to their terms; and
- recommend improvements to policies, procedures and controls to reduce opportunities for prohibited conduct.

In 2022, IG/IN concluded two PIRs: one on three railway infrastructure loans and the other on a multi-beneficiary intermediated loan. The findings are detailed in the case studies below. Relevant services were briefed on the findings and a set of recommendations was agreed and issued to the respective borrowers.

Proactive integrity review case studies

The case studies in this section illustrate how on-the-ground PIRs are performed, what their findings are and what types of benefits they bring to the EIB Group.

Procurement irregularities in an infrastructure project

Region: European Union

- In 2022, IG/IN finalised the PIRs of three railway infrastructure loans in an EU Member State. The PIR fieldwork included a review of legal and financial documentation for the tender, contracting and executing stages; a review of civil works information regarding construction and supervision of the projects; and site visits. The PIR identified deficiencies in project management, with inaccurate cost estimates, potential ineligibilities, and inefficient use of resources. The PIR also identified collusion among two contractors, a finding currently subject to appeal by one of the two companies.
- **Results:** The EIB instructed the borrower to implement a set of remedial measures, including an action plan to address identified deficiencies in project management and missing internal procedures, as well as improvements to the borrower's anti-fraud and anti-corruption framework. In addition, the PIR identified potential ineligibilities for EIB financing in specific contracts, which are currently still subject to national legal proceedings. Should these confirm that legal breaches and prohibited conduct have occurred, the EIB will take appropriate remedial action.

Mismanagement and other irregularities in a financial intermediary for a multiple beneficiary intermediated loan

Region: European Union

- In 2022, IG/IN finalised the PIR of a multiple beneficiary intermediated loan implemented in an EU Member State by a local development bank. The PIR identified several weaknesses, such as failure to promptly disburse to final beneficiaries, breach of information requirements and inadequate compliance with the anti-money laundering regulatory framework.
- **Results:** The shortcomings were addressed by the issuance of a set of recommendations for the borrower to implement. These included an action plan for completion within 18 months, aimed at enhancing the borrower's capacities and processes for compliance with anti-money laundering regulations. There was no financial impact for the EIB. IG/IN is actively involved in monitoring the implementation of the action plan.



PREVENTION ACTIVITIES

Advice to EIB directorates

IG/IN advises and supports EIB Group services on implementing the EIB Group Anti-Fraud Policy and the EIB Exclusion Policy in a range of activities, such as project procurement, mandates and lending. IG/IN also participates in various internal working groups.

In 2022, IG/IN provided specific support to EIB directorates on the anti-fraud provisions applicable to various products and mandates, particularly those related to InvestEU and Neighbourhood, Development and International Cooperation Instrument guarantee agreements.

INTERNAL AWARENESS-RAISING INITIATIVES

Outreach events

In 2022, IG/IN organised and participated in a series of hybrid events raising awareness within the EIB Group of fraud and corruption, as well as events demonstrating the EIB's fraud detection methodology, presenting case studies of new fraud patterns, and reporting on fraud and misconduct.

In September 2022 around 100 EPPO prosecutors and staff participated in an online awareness-raising session about EIB and EIF activities and the cooperation methodology between EPPO and IG/IN under the 2021 working arrangement.

In December 2022 the EIB Group marked International Anti-Corruption Day with an internal awareness-raising event for staff. Case scenarios were presented to illustrate red flags of prohibited conduct. This event was attended by over 300 EIB and EIF colleagues online and 70 in person.

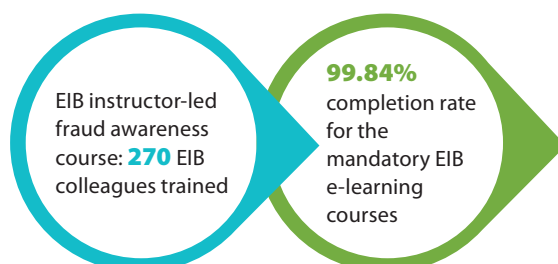
In addition, IG/IN delivered a presentation on its proactive fraud detection methodology to EIB Global⁹ alongside Compliance colleagues in ethics and integrity seminars for heads of EIB external offices, and joined Compliance colleagues at an interactive awareness-raising event for EIB staff on Global Ethics Day.

FRAUD AND CORRUPTION AWARENESS TRAINING

The EIB Group has developed a training programme to raise staff awareness of the multiple risks posed by fraud, corruption and other prohibited conduct to projects and activities, and of the applicable policy framework. Beyond sharing knowledge, the programme aims at developing staff skills in identifying red flags of fraud and corruption, and in becoming proactive when it comes to fraud and corruption risks. After completing the training, staff are expected to integrate the "duty to report" in their daily work and avoid any rationalisation of fraud and corruption.

The training programme includes mandatory anti-fraud e-learning, targeted instructor-led training in a virtual classroom for newcomers, and a yearly refresher course for all EIB staff. The contents are periodically reviewed to keep them up to date with the evolving policy framework and to include new lessons learnt from investigations and PIRs.

With support from the Learning and Development team, a new service provider was appointed to redesign and facilitate the virtual component of the training programme. In 2022, the e-learning for EIB newcomers and the annual refresher e-learning for all EIB staff had a combined completion rate of 99.84%.



9. EIB Global is the EIB's development arm.

INTERNATIONAL COOPERATION

External awareness-raising initiatives

Strengthening international cooperation is a key factor in fighting against fraud and corruption effectively. IG/IN participated in various events and seminars discussing fraud and corruption in 2022. Harmonisation and the exchange of international best practices are important for designing effective responses to fraud and corruption worldwide.

International Anti-Corruption Day



On 9 December 2022, International Anti-Corruption Day provided an opportunity to reflect on the importance of combating corruption, fraud and other serious misconduct as major threats to economic, social and human development. To mark this special event, several multilateral development bank heads of integrity joined forces to deliver a strong message against corruption, reasserting their commitment to integrity and accountability.

Conference of International Investigators



In June 2022, the EIB hosted the Conference of International Investigators (CII).

Established in 1999, the CII is the premier forum for investigators of international organisations to exchange ideas on integrity issues; address challenges in fighting fraud, corruption and other wrongdoing; and share new developments and leading practices. The CII brings together investigations staff from 57 international organisations and is hosted on a rotating basis by member organisations. This year's CII was organised as a hybrid event with 150 investigators attending in person and up to 450 remotely, representing all investigation offices of the multilateral and regional development banks, all investigation offices in the United Nations system (UNICEF, the United Nations Development Programme, World Health Organization), Interpol, Europol, NATO and several other international organisations.

This year's theme was "Investigating in a Changing Climate," or how investigation mandates and practices are evolving in today's fast-changing world, faced with challenges such as the COVID-19 pandemic, climate change and the rise of cryptocurrency. The event included training and presentations on blockchain, digital forensics and other emerging technologies.



EIB President Werner Hoyer delivered the opening address.

Cooperation with national authorities

Strengthening international cooperation is key to combating fraud and corruption effectively. Under the EIB Group Anti-Fraud Policy, IG/IN may refer suspected prohibited conduct to national authorities within or beyond Europe for further investigation and/or criminal prosecution, and provide further assistance as requested. Such national authorities include law enforcement bodies, prosecution offices and anti-corruption agencies.

In February 2022, the EIB and the General Prosecutor's Office of the Republic of Moldova signed a memorandum of understanding establishing a cooperation framework on fraud and corruption. This arrangement will facilitate the exchange of information regarding alleged fraud and corruption involving EIB-financed projects in the Republic of Moldova.



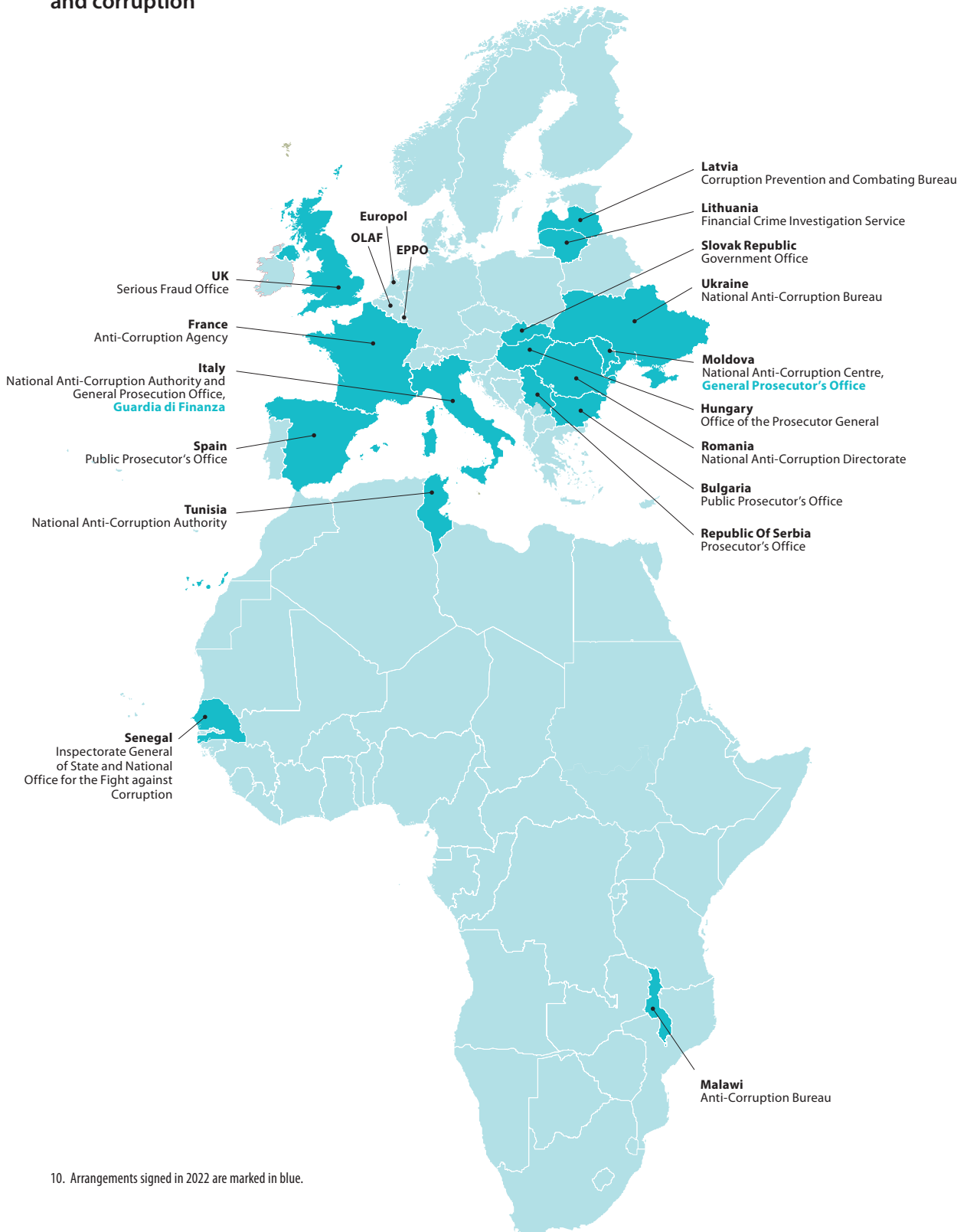
In September 2022 the EIB signed a memorandum of understanding with Italy's Guardia di Finanza, aiming to collaborate in tackling fraud and corruption affecting EIB-financed projects in Italy.



These two memoranda of understanding lay the basis for long-term cooperation by providing a framework for implementing joint actions, facilitating the exchange of information and best practices.

The maps below indicate the cooperation arrangements in place between the EIB and its partners in the fight against fraud and corruption worldwide.¹⁰

Cooperation arrangements between the EIB and its national partners in combating fraud and corruption



10. Arrangements signed in 2022 are marked in blue.

OTHER EVENTS AND PUBLICATIONS

Engagement with civil society

In February 2022, the Inspector General spoke at the annual EIB Board of Directors seminar with civil society. The session focused on how to maintain the highest level of integrity in projects despite the constraints deriving from the coronavirus pandemic. The Inspector General presented the tools for proactive detection of fraud and corruption that the Bank has progressively developed since 2018. He also called on civil society organisations to partner in the fight against fraud and corruption.

Other events and seminars

Multilateral development bank heads of integrity meetings, February, May and December 2022

Tackling Demand-Side Corruption, George Washington University Virtual Roundtable, April 2022

4th International Collective Action Conference, July 2022

C5's Anti-Corruption London Conference, September 2022

ESG Mining and Energy Conference, October 2022

Europol Cybercrime Conference, October 2022

Annual Forum on Combating Fraud in the EU, October 2022

Public Finances and Audit in Europe – Dealing with Uncertainty, European Court of Auditors and University of Pisa Autumn School on Public Auditing and Accountability, November 2022

Europol Financial Intelligence Public Private Partnership Conference, December 2022

21st International Anti-Corruption Conference, December 2022

IG/IN published several articles to raise awareness of the EIB Group's zero-tolerance policy and its work to prevent, deter and detect fraud and corruption. Examples include:

Article published on the FCPA (Foreign Corrupt Practices Act) Blog on 26 September 2022:
"How does the European Investment Bank test for and monitor fraud risks?"
<https://fcpablog.com/2022/09/26/how-does-the-european-investment-bank-test-for-and-monitor-fraud-risks/>

Article published on the FCPA Blog on 12 September 2022:
"GE agrees to EIB 'exclusion' for legacy Alstom Slovenia conduct"
<https://fcpablog.com/2022/09/12/ge-agrees-to-eib-exclusion-for-legacy-alstom-slovenia-conduct/>

LOOKING AHEAD — 2023

IG/IN is committed to continuing its work in combating prohibited conduct in 2023.

Investigations and exclusion

The Investigations and Exclusion Unit will seek to increase the number of cases referred to the Exclusion Committee or resolved by settlement.

Intake and analysis

Priorities for the Intake and Analysis Unit include:

- further enhancing IG/IN's computer forensics capacity, which is increasingly important with respect to fraud and corruption investigations;
- finalising and implementing a case management system for IG/IN.

Detection and prevention

The priorities of the Detection and Prevention Unit are to:

- commence proactive reviews of fraud risks and controls in other selected key processes within the EIB; and
- roll out the complete PIR methodology to the EIF.

Furthermore, IG/IN will continue to strengthen internal and external awareness-raising and international cooperation by liaising with national and international investigative, prosecution and anti-corruption offices. If necessary, IG/IN will expand its network of partners by seeking to conclude further memoranda of understanding. In the framework of the EIB's substantial and unprecedented support to Ukraine, the Bank is committed to ensuring that these funds reach the hundreds of projects essential to Ukrainian people's lives. To this end, IG/IN will strengthen its cooperation with Ukrainian law enforcement and anti-corruption authorities in 2023.

Lastly, IG/IN will continue its efforts to strengthen internal and external fraud awareness-raising through:

- revising mandatory fraud awareness e-learning for the EIB and developing e-learning modules for the EIF;
- strengthening cooperation with national authorities by establishing an EIB Fraud Fighters Network;
- tailoring fraud awareness-raising events for EIB Global;
- engaging in initiatives with other multilateral development banks and international financial institutions; and
- speaking and presenting at international anti-corruption events.

ACRONYMS AND INITIALISMS

CII	Conference of International Investigators
CRIP	Corruption Risk in Procurement
EIB Group	The EIB and the EIF
EIB/the Bank	European Investment Bank
EIF/the Fund	European Investment Fund
EPPO	European Public Prosecutor's Office
EU	European Union
Europol	EU Agency for Law Enforcement Cooperation
FIRST	Fraud and Integrity Risk Scoring Tool
FIU	Financial intelligence unit
IG/IN	Inspectorate General's Investigations Division
OLAF	European Anti-Fraud Office
PIR	Proactive Integrity Review



INVESTIGATIONS ACTIVITY REPORT

2022